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Viewing cable 04OTTAWA3115, SCENESETTER FOR PRESIDENT BUSH,S VISIT TO CANADA,

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Reference ID	Created	Released	Classification	Origin
04OTTAWA3115	2004-11-18 19:32	2011-08-30 01:44	SECRET//NOFORN	Embassy Ottawa

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S E C R E T SECTION 01 OF 04 OTTAWA 003115

SIPDIS

NOFORN

NSC FOR NSA RICE

E.O. 12958: DECL: 11/17/2009

TAGS: [CA](#) [PGOV](#) [PREL](#)

SUBJECT: SCENESETTER FOR PRESIDENT BUSH,S VISIT TO CANADA,
NOVEMBER 30 - DECEMBER 1, 2004

Classified By: Ambassador Cellucci, reasons 1.4 (b) (d)

Summary and Key Themes

1. (C/NF) The Canadian Government and the Embassy strongly welcome your visit and the opportunities it will afford to advance our broad bilateral relationship. The two key themes I would stress for your visit are partnership and reassurance. The Canadians need to be reassured that at the end of the day, whatever tactical disagreements we may have over Iraq and individual trade cases, we are firmly united across the world,s longest undefended border by common values, shared political heritage, and the largest bilateral trading relationship in the planet,s history. We need to send the message that we value Canada with no strings attached. The early timing of this visit will help make this point.

2. (C/NF) Specifically, it would be very helpful if you came to Ottawa with three key public messages. First, a positive signal demonstrating movement on BSE, short of resolution but beyond &we,re working on it.⁸ A firm date for completion of the regulation would give PM Martin a huge political boost and help beleaguered Canadian ranchers get through the winter. Second, appreciation for the positive role Canadians play in the world as peacekeepers and in transmitting our shared political and cultural values to failed and failing states. And third, personal thanks for our close cooperation in defending the continent against terrorism, both in border security, and in the larger fight to roll back the availability of weapons of mass destruction, contain the activities of terrorist groups, and support development that

will provide alternatives to terrorism.

13. (C/NF) Several themes about the future would also be helpful for your private meetings. You should note the substantial Canadian support to date for Iraq reconstruction and encourage Canada to play a larger role in the development of political and security institutions there. You should promise continued close cooperation in places such as Sudan, Afghanistan, and Haiti, and solicit PM Martin's views on how to best synergize our efforts. And finally, you should commit to focus on settling our trade and environmental disputes. End Summary

Martin's Minority Government Stable, but Weak

14. (C) After governing in majority for ten years, the Liberal Party called elections June 28 to gain a mandate for PM Martin, who succeeded Jean Chretien in December 2003. The Liberals were hurt by a scandal involving the disbursement of public monies in Quebec, and the Martin government was reduced to minority status, the first in Canada since 1979. In the first week of Parliament, Martin was able to loosely win over the New Democratic Party, putting him neck-and-neck with the Conservatives and the separatist Bloc Quebecois. Both the Liberal-NDP and the Conservative-Bloc alignments are very tentative, however, and different issue-driven coalitions are likely to emerge on an ad hoc basis.

15. (SBU) Predictions on how long the government will last range from six months to two years. Canadians do not want to go to the polls soon and the Government and Opposition know it. But given the nature of Canada's political system, the Government's fall is never more than one bad decision away.

16. (C/NF) The Liberal's thin margin leads Martin to exercise extreme caution, which some observers are now touting as weak leadership. The PM has made it clear that he will not try to carry out an aggressive agenda, and on issues such as missile defense, would just as soon wait rather than try to tackle it now and risk a negative vote.

Seeking Canada's Place in the World

17. (SBU) All of this is taking place in the context of a certain amount of soul-searching here on Canada's decline from middle power status to that of an active observer of global affairs, a trend which some Canadians believe should be reversed. In the short term the country's priorities are improving the quality of life for Canadian citizens and there is little support for increasing defense spending (currently among the lowest per capita in NATO) or the foreign affairs budget. PM Martin has promised to focus his government on policies to perpetuate the Canadian economic miracle, help cities, improve health care, and provide easier access to child-care. However, he has also made modest increases in the defense budget and has announced plans to add 5,000 troops to the armed forces.

Engagement on Homeland Security

18. (SBU) Within the constraints of weak public support and low funding, PM Martin has made his foreign affairs and homeland security bureaucracies more capable and has kept Canada selectively active in global issues. In the wake of the September 11 attacks, Canada has implemented a range of practical measures that improve Canada's homeland security while facilitating the flow of people and commerce across our common border. Starting with the December 2001 Smart Border Action Plan with the U.S., changes include enhancements to aviation security, full compliance with UN and other multilateral conventions, and strengthening of financial controls. In the fall of 2003 Canada undertook an aggressive reorganization of its security and border agencies, consolidating them into a structure similar to that of DHS, and in April 2004 rolled out its first-ever national security strategy. Bilateral efforts have resulted in better information sharing, joint targeting, and smoother flow of low-risk traffic.

19. (S/NF) A potential irritant on the Canadian side that may be raised has to do with sharing of intelligence regarding Iraq operations. The government is aware that we are creating a separate US-UK-Australia channel for sharing sensitive intelligence, including information that traditionally has been U.S. eyes only. The GOC has expressed concern at multiple levels that their exclusion from a traditional "four-eyes" construct is "punishment" for Canada's non-participation in Iraq and they fear that the Iraq-related channel may evolve into a more permanent "three-eyes" only structure. PM Martin may raise this with you privately.

A Modest but Effective Agenda on Global Affairs

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10. (C) PM Martin has also kept Canada in the game internationally. In 2002 Ottawa sent 750 soldiers to Afghanistan where they served with distinction in Khandahar, and Canada led the maritime task force monitoring movement in the Persian Gulf, a service that began with an eye on Afghanistan but later was useful in the lead-up to Operation Iraqi Freedom. Ottawa continued to support democratization in Afghanistan, leading the ISAF mission from February to August 2004, and contributing 2,300 of 7,100 troops. Canada has been active in development and elections support for Afghanistan, committing USD 500 million to a wide-variety of programs through 2009. Finally, Canada has pledged to deploy a Provincial Reconstruction Team, possibly to Khandahar, in the fall of 2005.

11. (C) In Haiti, Canada has provided civilian police officers, a sizable aid budget, and positive involvement in diplomatic efforts on the ground. Canada has been largely in synch with our efforts to seek a durable solution to Sudan's current and chronic crisis. PM Martin, who met with President al-Bashir in Sudan last week, supports the responsibility to protect as an obligation of each government and a core function of the international community through the United Nations. Canada has allocated US\$16 million to support the African Union in Sudan.

12. (SBU) Despite opposition to our invasion of Iraq, Canada has offered strong support for Iraqi reconstruction, saying "we can't afford to fail." The GOC quickly committed funds, pledging about US\$ 240 million in Madrid, and made active efforts to leverage contributions from countries that were initially hesitant. Over two-thirds of Canada's aid has been allocated and over half has been disbursed on projects such as police trainers in Jordan. Canada also supports Paris Club efforts on debt reduction.

Trade and the Border: Vital Links for Canada

13. (SBU) The U.S. and Canada have the largest bilateral trade relationship in the history of the world and over 95% of that trade is trouble-free. The billion dollars a day in trade with the U.S. generates about a third of Canada's GDP, with energy exports and the integrated North American auto industry dominating the picture.

14. (SBU) Since implementation of NAFTA ten years ago, US-Canada trade has doubled. Most Canadians see NAFTA as a success but are frustrated by its limits, thrown into relief by U.S. trade remedy actions on softwood lumber and pork. Expectations that NAFTA would give Canadians greater control over US actions have largely been disappointed. The softwood case remains a long-running and intractable irritant; even so, Canadian lumber exports boomed last year in response to US housing demand.

15. (SBU) There are trade disputes and then there is beef. Reopening the border to trade in live cattle is Canada's most pressing bilateral concern and our top priority for this visit. Cut out of our highly integrated North American market since 2003, Canadian ranchers have lost over \$2 billion to date. Canada has spent \$400 million on relief for the cattle industry, but many farmers and their suppliers may not survive another winter. Indefinite delays and the perceived unpredictability of the U.S. regulatory process have soured views of the U.S. in some of the most traditionally pro-American regions of Canada. Issuance of the new rule, or at least a firm commitment to a date for completion, would help restore public confidence and give the GoC some political room to respond to other U.S. priorities. In the long term, failure to resolve the problem will result in two North American beef industries, reducing efficiencies and stiffening competition in traditional US export markets. Significantly, movement on beef will give Martin political space to cooperate more on security.

16. (U) Canada enjoys an enviable economic situation, with steady budget surpluses and the most sharply-reduced debt burden in the G-7. Although the economic outlook is rosy, the currency's rapid appreciation against the U.S. dollar, driven partly by rising commodity prices, could put a damper on exports, and there are concerns here about global imbalances and the sustainability of the U.S. economic recovery. Even with strong economic fundamentals, Canadian GDP growth is projected to lag that of the U.S. in 2004.

17. (U) In addition to worries about exchange rate risk and perennial trade disputes, Canadians feel increasingly vulnerable to border risk. Exporters worry about lengthening border delays due to infrastructure overload and to tighter security measures such as prior notice requirements. Application of USVISIT fingerprint and photo requirements to Canadian non-citizen residents, and the possibility that eventually Canadians will require passports to enter the U.S., have sparked public anxiety among Canadians. Businesses fear that future terrorist incidents

could lead to catastrophic border closings and strongly support the GoC,s efforts to strengthen bilateral security cooperation. Continued DHS engagement with Canada via the Smart Border Action Plan, the Ridge-McLellan dialogue, and regular working-level meetings, is a key element in managing this anxiety and addressing underlying problems. The GoC is pushing to accelerate progress and add to the &Smart Border8 agenda in its version of the North American Initiative, &Beyond Smart Borders8.

Energy Inter-Dependency

118. (U) Canada is by far the United States' largest foreign source of energy. It is our largest supplier of petroleum, as well as our leading external source of natural gas, uranium, and electric power. With Alberta,s oil sands now classified as &proven reserves,8 Canada,s petroleum resources of 180 billion barrels are second only to Saudi Arabia,s.

119. (U) Canada,s northern territories contain large energy resources, notably natural gas deposits in the delta of the Mackenzie River, several hundred miles east of Alaska,s Prudhoe Bay. The energy industry expects that two gas pipelines will be built, one from the Mackenzie Delta and the other from Alaska,s North Slope. As the regulatory framework for the Alaska line develops, industry will have to determine the pipeline,s exact route both in Alaska and as it passes through Canada.

120. (U) Canada's electric power sector is interconnected at numerous points with the U.S. grid and has for decades been a large supplier of power to the U.S. market. The U.S./Canada Joint Task Force that investigated the August 2003 power outage recommended the creation of a North American Electric Reliability Organization, which would implement mandatory standards for electricity transmission in both countries. Canadian players in this industry are intensely interested in the shape of proposed U.S. energy legislation, as it affects their future strategies.

Environmental Issues

121. (U) The U.S. and Canada cooperate closely on a broad range of environmental issues. Together we have made significant progress on key issues, including trans-boundary air and water pollution, regulation of pesticides and chemicals and protection of the Great Lakes.

122. (C) There are, however, a number of thorny cross-border water issues still unresolved, including Canadian demands that the U.S. move a derelict fishing vessel (Victoria M) mistakenly scuttled in Canadian waters, controversy over the proposed clean-up of pollution of the Columbia River from a Canadian smelter in British Columbia and North Dakota,s plans to mitigate flooding at Devils Lake by pumping water through a canal system to the Red River.

123. (C) The Canadians have raised these issues before at senior levels and are likely to do so again. The most pressing of these problems is Devils Lake, where Canada believes that the state outlet from the lake to the Red River would violate the Boundary Waters Treaty. North Dakota has almost completed its canal system and plans to start pumping water in the spring of 2005. Canada has asked for U.S. agreement to &refer8 this issue to the International Joint Commission for study and recommendations, but we have not yet responded to that request. The Embassy believes it would be in our interest to agree to a &reference,8 tightly limited in scope and time-frame.

124. (U) Canada formally ratified the Kyoto Accord at the end of 2002, despite vocal opposition from some provincial governments and industries. While political approaches to the climate change issue have differed between the U.S. and Canada, practical cooperation has been close. In 2002, we signed agreements on Renewable Energy and Climate Science, and formed a bilateral Working Group on Climate Change. Few Canadians understand just how much we do on climate change, reducing U.S. efforts only to Kyoto. Canada participates in several U.S.-led multilateral initiatives, such as the Carbon Sequestration Leadership Forum and the International Partnership for the Hydrogen Economy. We expect that they will soon join the Methane to Markets Partnership.

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